

**Address by HKEx Chairman Charles Lee at the Legislative Council's  
Financial Affairs Panel  
31 July 2002**

Good afternoon, Mr Chairman and members,

Our briefing today will be divided into two parts. I will discuss HKEx's operations and reporting structures in terms of the regulation of listed companies. Then HKEx Chief Executive Kwong Ki-chi will report on the work involved in this market consultation and HKEx's response to market concerns.

HKEx's operations and reporting structures

In accordance with the Memorandum of Understanding (MOU) Governing Listing Matters signed between the SFC (Securities and Futures Commission) and HKEx on 6 March 2000, the HKEx board has delegated all of its functions and powers in relation to listing matters to the Listing Committee and the HKEx board will not exercise concurrent jurisdiction. Before a member of the Listing Committee is appointed by HKEx, he must first be nominated by an independent Nomination Committee and approved by the SEHK. Except for the HKEx Chief Executive, Listing Committee members are all independent and come from a range of sectors in the financial services industry, including representatives from listed companies, securities dealers, financial intermediaries and investors. The Nomination Committee is comprised of three SFC representatives and three HKEx representatives.

Under the above mandate, HKEx executives are directly accountable to the HKEx Chief Executive and the Listing Committee on issues relating to the regulation of listed companies, and HKEx reports to the SFC and seeks SFC approval on these matters. After it was signed in 2000, the MOU was released to the public and posted on the websites of both regulators.

Also, the administrative structure of HKEx ensures that a Chinese Wall exists within the organisation, totally segregating the business units from the regulatory unit.

The segregation arrangement eliminates any potential conflicts of interest between the HKEx's business and regulatory functions.

Under the Stock Exchanges Unification Ordinance, HKEx works at all times in the interest of the public.

The consultation paper in question was drafted by the Listing Division in accordance with the above framework. It had been discussed by the Listing Committee and approved by the SFC before it was released.

In consulting the market on the Proposed Amendments to the Listing Rules Relating to Initial Listing and Continuing Listing Eligibility and Cancellation of Listing Procedures, we aim to enhance the overall quality of the Hong Kong stock market and provide a fair, orderly, efficient and transparent market for the trading of securities

Now, Mr Kwong will report on the work involved in the market consultation and HKEx's response to market concerns.

**Clear Segregation  
in the Operations and Reporting Structures of  
Business and Listing Regulation Matters at HKE<sub>x</sub>  
under the MOU between SFC and HKE<sub>x</sub>**

